



Mafikeng Local Municipality  
(Registration number NW 383)  
Financial statements  
for the year ended 30 June 2012

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## General Information

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### Legal form of entity

Local Municipality

### Nature of business and principal activities

Provision of municipal services in terms of the Municipal Finance Management Act No. 56 of 2003 and the Municipal System Act No. 32 of 2000

### Mayoral committee

Executive Mayor

Cllr Miga N L  
Cllr M Leepile : MMC (Public Safety)  
Cllr Lomo F L : MMC (Community Services)  
Cllr Mothupi H R : MMC (Corporate Services)  
Cllr Poenyane KA : MMC (Planning and Development)  
Cllr Molete E F K : MMC(Local Economic Development)  
Cllr Tirano R : MMC(Special Projects)  
Cllr Mokgoetsi KKM : MMC(Infrastructure)  
Cllr Ngqobe NR: MMC (Finance)

### Councillors

Cllr Jabanyane MD (Speaker)  
Cllr Mafete M E(Single Whip of Council)  
Cllr Nkoane G J : Chairperson(MPAC)  
Cllr Mafabatho AP  
Cllr Maloisane SSN  
Cllr Mosenogi IS  
Cllr Nthutang BJ  
Cllr Thomas G  
Cllr Babedi P  
Cllr Ntshabele T  
Cllr Mpengezi N  
Cllr Diakanyo KB  
Cllr Moamogwe N  
Cllr Mosikare MD  
Cllr Lesejane RS  
Cllr Motsamai IS  
Cllr Moremedi SD  
Cllr Molale PP  
Cllr Seepamore L  
Cllr Makolomakwa TJ  
Cllr Tabane PM  
Cllr Ngobeni BS  
Cllr Johnson O J  
Cllr Nkolisa OJ  
Cllr Novolo GS  
Cllr Lolwane AN  
Cllr Moeti ME  
Cllr Moepi DP  
Cllr Nkosi P  
Cllr Mathakathaka KG  
Cllr Mokolemako MC  
Cllr Dintoe MM  
Cllr Magogodi MP  
Cllr Dingile ME  
Cllr Mahura SM

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## General Information

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Cllr Mmono CD  
Cllr Ngqobe M  
Cllr Lekhobe ME  
Cllr Chanda MM  
Cllr Chili EM  
Cllr Africa A  
Cllr Selepe TL  
Cllr Mthunzi DT  
Cllr Motshegoa T  
Cllr Matlholwa MR  
Cllr Sephothi MW  
Cllr Lebelela TW  
Cllr Kgaje GK  
Cllr Legalatladi G U  
Cllr Matlhoko S M  
Cllr Theologo J R  
Cllr Molete GM  
Kgosi Shole GG  
Kgosi Seatlholo GA

**Grading of local authority**

Grade 4

**Chief Finance Officer (CFO)**

Mr. S S. Mmope

**Accounting Officer**

Mr. K F Rabanye

**Registered office**

Cnr University Drive & Hector Peterson Road  
Mmabatho  
2735

**Business address**

Cnr University Drive & Hector Peterson Road  
Mmabatho  
2735

**Postal address**

Private Bag X63  
Mmabatho  
2735

**Bankers**

Standard Bank of South Africa  
Business Centre, Nelson Mandela Drive, Mafikeng, 2745

**Auditors**

Auditor-General of South Africa  
124 Kock Street  
Rustenburg  
0030

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Accounting Officer's Responsibilities and Approval

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I, as Accounting Officer, am required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is my responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and was given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control established by the Municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I set the standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, I am satisfied that the Municipality has access to adequate resources to continue in operational existence for the foreseeable future

The Municipality's operations depend on a number of sources of revenue, ranging from National Government to its own sources and donations. There are no signs of indications that any of these sources will be significantly curtailed. As such, the Annual Financial Statements are prepared on the basis that the Municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail the materially the scale of its operations.

Although I am primarily responsible for the financial affairs of the Municipality, I am supported by the Municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the Municipality's Annual Financial Statement. Thus, the Annual Financial Statements will be examined by the Municipality's external auditors, with an objective of expressing an independent opinion on the Annual Financial Statements.

The Annual Financial Statements set out on page 5 to 57, which have been prepared on the going concern basis, were approved and signed by me on 30 August 2012 .

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**Accounting Officer**  
**Mr. Rabanye K. F.**

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
<b>Assets</b>			
Current Assets			
Inventories	8	31,254,771	31,361,287
Receivables from exchange transactions	10	4,802,489	854,984
Other receivables from non-exchange transactions	9	7,188,063	11,535,942
Consumer debtors	11	34,968,690	17,430,050
Shares & Unit Trusts	7	3,869,420	3,711,996
Money Market Investments	45	33,470,434	7,291,658
Cash and cash equivalents	12	16,781	7,413
		<b>115,570,648</b>	<b>72,193,330</b>
Non-Current Assets			
Investment property	2	397,972,720	397,972,720
Property, Plant and Equipment	3	426,846,591	433,647,551
Intangible assets	4	1,135,869	1,446,880
		<b>825,955,180</b>	<b>833,067,151</b>
Non-Current Assets		825,955,180	833,067,151
Current Assets		115,570,648	72,193,330
Non-current assets held for sale (and) (assets of disposal groups)		-	-
<b>Total Assets</b>		<b>941,525,828</b>	<b>905,260,481</b>
<b>Liabilities</b>			
Current Liabilities			
Other Interesting Bearing Liabilities	13	3,822,911	5,431,921
Finance lease obligation	14	1,855,504	2,106,392
Trade and other payables	17	98,965,258	94,042,403
VAT payable	18	11,620,796	15,604,360
Consumer deposits	19	4,905,111	4,115,992
Retirement benefit obligation	6	-	51,000
Unspent conditional grants and receipts	15	33,866,903	14,905,097
Provisions	16	15,179,707	11,352,092
Bank overdraft	12	29,992,590	17,708,509
		<b>200,208,780</b>	<b>165,317,766</b>
Non-Current Liabilities			
Other Interesting Bearing Liabilities	13	31,787,606	36,078,773
Finance lease obligation	14	943,838	2,799,932
Retirement benefit obligation	6	22,336,919	19,420,990
Provisions	16	-	9,235,796
		<b>55,068,363</b>	<b>67,535,491</b>
Non-Current Liabilities		55,068,363	67,535,491
Current Liabilities		200,208,780	165,317,766
Liabilities of disposal groups		-	-
<b>Total Liabilities</b>		<b>255,277,143</b>	<b>232,853,257</b>
Assets		941,525,828	905,260,481
Liabilities		(255,277,143)	(232,853,257)
<b>Net Assets</b>		<b>686,248,685</b>	<b>672,407,224</b>

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
<b>Net Assets</b>			
Reserves			
Other NDR	46	3,470,046	3,470,046
Government grant reserve	47	75,516,102	75,516,102
Insurance reserve	48	63,987	-
Accumulated surplus		607,198,550	593,421,076
<b>Total Net Assets</b>		<b>686,248,685</b>	<b>672,407,224</b>

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
<b>Revenue</b>			
Property rates	21	97,628,211	122,895,745
Service charges	22	91,651,726	70,197,067
Rental of facilities and equipment		3,423,214	3,049,892
Interest received (trading)		29,718,851	26,167,840
Fines		2,419,237	1,512,555
Licences and permits/certificates		5,102,711	4,716,997
Government grants & subsidies	23	150,446,222	125,702,840
Fair value Adjustment		-	44,231,594
Miscellaneous other revenue		73,548	351,332
Fees earned		1,117,684	890,037
Commissions received		300,030	240,201
Unwound Interest - Long term Debtor		-	8,009,574
Recoveries		258,741	807,529
Other income		55,439	2,307,028
Building plans fees		302,720	158,844
Blocked drains revenue		149,574	102,922
Interest received - investment	30	2,460,053	1,879,199
<b>Total Revenue</b>		<b>385,107,961</b>	<b>413,221,196</b>
<b>Expenditure</b>			
Personnel	27	(165,179,558)	(172,459,450)
Remuneration of councillors	28	(16,792,206)	(14,933,904)
Depreciation and amortisation	31	(26,182,428)	(25,607,481)
Impairment loss/ Reversal of impairments	49	(49,520,769)	-
Finance costs	32	(3,893,727)	(4,799,577)
Debt impairment	29	39,844,445	(79,409,372)
Collection costs		(1,122,276)	(802,595)
Repairs and maintenance		(24,944,023)	(25,679,072)
Bulk purchases	35	(51,175,554)	(43,489,896)
Contracted services	50	(6,657,126)	-
General Expenses	25	(66,622,890)	(65,491,126)
<b>Total Expenditure</b>		<b>(372,246,112)</b>	<b>(432,672,473)</b>
Revenue		385,107,961	413,221,196
Expenditure		(372,246,112)	(432,672,473)
Other		-	-
<b>Surplus (deficit) for the year</b>		<b>12,861,849</b>	<b>(19,451,277)</b>



# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Statement of Changes in Net Assets

Figures in Rand	Other NDR	Government grant reserve	Insurance reserve	Total reserves	Accumulated surplus	Total net assets
<b>Balance at 01 July 2010</b>	<b>3,470,046</b>	<b>56,746,122</b>	<b>-</b>	<b>60,216,168</b>	<b>653,236,506</b>	<b>713,452,674</b>
Changes in net assets						
Current Year additions	-	21,476,142	-	21,476,142	(21,476,142)	-
Depreciation Charge	-	(2,706,162)	-	(2,706,162)	2,706,162	-
Net income (losses) recognised directly in net assets	-	18,769,980	-	18,769,980	(18,769,980)	-
Surplus for the year	-	-	-	-	(19,451,277)	(19,451,277)
Total recognised income and expenses for the year	-	18,769,980	-	18,769,980	(38,221,257)	(19,451,277)
Prior year Adjustment	-	-	-	-	(21,594,173)	(21,594,173)
Total changes	-	18,769,980	-	18,769,980	(59,815,430)	(41,045,450)
<b>Balance at 01 July 2011</b>	<b>3,470,046</b>	<b>75,516,102</b>	<b>-</b>	<b>78,986,148</b>	<b>593,421,070</b>	<b>672,407,218</b>
Changes in net assets						
Surplus for the year	-	-	-	-	12,861,849	12,861,849
Purchase of own / treasury shares	-	-	-	-	915,631	915,631
Insurance reserve	-	-	6,481	6,481	-	6,481
Total changes	-	-	64,281	64,281	13,777,480	13,841,761
<b>Balance at 30 June 2012</b>	<b>3,470,046</b>	<b>75,516,102</b>	<b>64,281</b>	<b>79,050,429</b>	<b>607,198,550</b>	<b>686,248,979</b>
Note(s)	46	47	48			

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		268,002,607	180,014,664
Grants		120,687,370	120,761,283
Interest income		2,460,053	1,879,199
Other receipts		1,416,190	33,631,303
		<u>392,566,220</u>	<u>336,286,449</u>
<b>Payments</b>			
Employee costs		(181,971,764)	(170,795,645)
Suppliers		(166,541,538)	(113,158,221)
Finance costs		(3,893,727)	(4,799,577)
Other cash item		-	(1)
		<u>(352,407,029)</u>	<u>(288,753,444)</u>
Total receipts		392,566,220	336,286,449
Total payments		(352,407,029)	(288,753,444)
<b>Net cash flows from operating activities</b>	36	<b>40,159,191</b>	<b>47,533,005</b>
<b>Cash flows from investing activities</b>			
Purchase of Property, Plant and Equipment	3	(19,070,456)	(42,818,302)
Purchase of other intangible assets	4	-	(1,500,414)
Purchase of shares & unit trusts		(157,424)	(150,654)
Purchase of money market instruments		(26,178,776)	(2,423,115)
prior year adjustment		915,631	-
Movement in reserves		64,281	-
		<u>(44,426,744)</u>	<u>(46,892,485)</u>
<b>Cash flows from financing activities</b>			
Repayment of other interesting bearing liabilities		(5,900,177)	(5,786,970)
Finance lease payments		(2,106,982)	(2,420,784)
<b>Net cash flows from financing activities</b>		<b>(8,007,159)</b>	<b>(8,207,754)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(12,274,712)</b>	<b>(7,567,234)</b>
Cash and cash equivalents at the beginning of the year		(17,701,096)	(10,133,862)
<b>Cash and cash equivalents at the end of the year</b>	12	<b>(29,975,808)</b>	<b>(17,701,096)</b>

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1. Presentation of Financial Statements

#### 1.1 Statement of Compliance

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise. They are presented in South African Rand.

#### STATEMENT AND INTERPRETATION NOT YET EFFECTIVE

At the date of authorisation of these Annual Financial Statements, the following standards and interpretations were in issue but not yet effective and have not been early adopted by the municipality

- GRAP 18 - Segment Reporting
- GRAP 21 - Impairment of Non-cash-generating Assets
- GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 - Presentation of Budget Information
- GRAP 25 - Employee Benefits
- GRAP 26 - Impairment of Cash-generating Assets
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instruments
- GRAP 105 - Transfer of Functions Between Entities Under Common Control
- GRAP 106 - Transfer of Functions Between Entities Not Under Common Control
- GRAP 107 - Mergers

#### 1.1 Accounting estimates and judgements

##### Key source of estimation and judgements

The preparation of financial statements in conformity with GRAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of the current events and actions they may undertake in the future actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In the process of applying the municipality's policies, management has made the following significant accounting judgments, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements and these are consistent with the previous period.

##### Impairment of Trade and Other Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their payment history. This was performed per debtor.

##### Provisions and contingent liabilities

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included in Note 16 - Provisions.

## **Accounting Policies**

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### **1.1 Accounting estimates and judgements (continued)**

#### **Provisions and other post-retirement benefits**

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Additional information is disclosed in Note 6

#### **Classification as investment property**

The municipality has reviewed its property portfolio and determined which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio has either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

#### **Depreciation and carrying value of items of property, plant and equipment**

The estimation of the useful lives of assets is based on management's judgment. Management considers the impact of technology, availability of capital funding, service requirements, and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgment whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

### **1.2 Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is held at fair value.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

#### **Fair value**

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects estimated market conditions at the reporting date whilst provisional amounts reflect the amounts determined using a reasonable basis such as a valuation roll. In cases where provisional amounts are used, the amounts are adjusted retrospectively in terms of Directive 4 and the retrospective adjustment will be based on management estimate.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

## **Accounting Policies**

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### **1.3**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment or at fair where assets have been acquired by grant or donation.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery capabilities of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed.

The municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than for motor vehicles.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value, and is recognised in the Statement of Financial Performance.

Property, plant & equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Assets held under finance leases are depreciated over their useful lives on the same basis as owned assets or, where appropriate, the terms of the relevant lease, and the depreciation are recognised in the Statement of Financial Performance.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use.

The useful lives of items of have been assessed as follows:

<b>Item</b>	<b>Average useful life</b>
Buildings	30
Furniture and fixtures	5-10
Motor vehicles	7-10
Office equipment	5-7
IT equipment	5
Emergency Equipment	5-10
Refuse Tankers	5-10
Infrastructure	10-40
Community	15-30
Other property, plant and equipment	4-20
Bins and containers	5
Landfill site	17

#### **Impairment of property, plant and equipment**

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

### **1.4 Intangible assets**

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

<b>Item</b>	<b>Useful life</b>
Computer software	5

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.5 Heritage assets

A heritage asset is defined as an asset that has cultural, environmental, historical, natural, scientific, technological or artistic significance, and are held and preserved indefinitely for the benefit of present and future generations.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Heritage assets are not depreciated, as their long economic life and high residual value mean that any depreciation would be immaterial.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

### 1.6 Site restoration and dismantling cost

Where the municipality has an obligation to dismantle, remove and restore items of property, plant and equipment, such obligations are referred to as 'decommissioning, restoration and similar liabilities'. These costs include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located and the obligation for which municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. The costs are capitalised to the cost of the relevant assets.

### 1.7 Financial instruments

#### Classification

The Financial instruments are recognised when the municipality becomes a party to the contractual provisions of the instrument and are initially measured at fair value plus, in the case of a financial asset or liability, not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability:

The municipality classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

#### Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

#### Financial instruments designated as at fair value through surplus or deficit

All financial instruments are initially measured at fair value. The financial instruments are subsequently recognised at fair value through profit and loss

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the amount expected to be recovered in future. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit. Interest is charged on overdue amounts.

Amounts receivable within 12 months from the date of reporting are classified as current.

Trade and other receivables are classified as loans and receivables.

#### Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Liabilities for annual leave (accrued leave pay) and annual bonus are recognised as they accrue to employees. Accrual is based on the potential liability of the Municipality. Liabilities for goods and services rendered to the municipality before yearend are accrued based on management's estimate if the invoice or statement have not been issued.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments that are readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months and are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The Municipality categories cash and cash equivalents as financial assets, loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at amortised cost.

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

#### Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

#### Held to maturity

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

#### Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

#### Derecognition

##### Financial assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the municipality has transferred substantially all risks and rewards of ownership, or when the municipality loses control of contractual rights that comprise the assets.

##### Financial liabilities

A financial liability is derecognised when the obligation under the contract is discharged, cancelled or expires.

#### Impairment of financial assets

### 1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Finance leases - municipality lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability.

Any contingent rents are expensed in the period in which they are incurred.

Assets leased under operating leases, except for property interests held by the municipality as investment property, are not recognised in the statement of financial position.

#### Operating leases - municipality as lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.



# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.8 Leases (continued)

#### Operating leases -municipality as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### 1.9 Inventories

Inventories consist of raw materials, work in progress, consumables finished goods and unsold properties. Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired at no cost, or for nominal consideration, the cost is deemed to be the fair value as at the date of acquisition. Cost is generally determined using the first-in-first-out principle except where stated otherwise.

Unsold properties are measured at the lower of cost and net realisable value. Cost is primarily determined by reference to Valuation roll values as at the date of initial recognition or total cost of servicing the land. Net realisable values are based on the latest valuation roll values less estimated cost to sell.

### 1.10 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

### 1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.11 Impairment of cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.12 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

#### Defined contribution plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The municipality contributes to various national and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer plans and are accounted for as defined contribution plans as there is no consistent and reliable basis available for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. The contributions to fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi-employer plans are actuarially valued annually on a national or provincial level using the projected unit credit method. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

#### Defined benefit plans

The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are recognised in full in the year they are incurred.

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of all of the medical aid funds with which the municipality is associated, a member is entitled to remain a continued member of the medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. These medical aid funds are classified as defined benefit plans.

The current service cost is recognised as a period expense in the statement of financial performance and is matched to the benefit received during the working life of the employee. The current service cost includes the expense for benefits received by the employee currently in service and the cost of funding the employee when no longer in service. The expense for the year is included in the employee benefits expense in the statement of financial performance.

Where some of the employees are not members of any qualifying medical aid scheme as at reporting date, the municipality accrues 50% of such potential liability. This management estimate is meant to cater for employees who are likely to join the qualifying medical schemes in future but before retirement.

## **Accounting Policies**

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### **1.12 Employee benefits (continued)**

#### **Other long-term employee benefits**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The cost for each employee is computed at each reporting date based on the probability of being employed at each service award date, taking into account the assumed rates of withdrawal, early retirement and death. On determining this liability due allowance is made for future salary increases. Actuarial gains and losses are recognised in full in the year they are incurred.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value.

The current service cost is recognised as a period expense in the statement of financial performance and is matched to the benefit received during the working life of the employee. The current service cost includes the expense for benefits received by the employee currently in service. The expense for the year is included in the employee benefits expense in the statement of financial performance.

Where some of the employees have already reached the prescribed milestones but payments for the equivalent leave days accrued has not been made by year-end, the amount is recognised as accruals.

### **1.13 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.13 Provisions and contingencies (continued)

#### Site Restoration, Onerous contracts, Reimbursements, Restructuring, Long Service Award

##### Site Restoration

In accordance with applicable legal requirements, a provision for site restoration in respect of landfill sites is recognised when the land is contaminated. The related expense is capitalised against the cost of the landfill sites.

##### Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the municipality from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

##### Reimbursements

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

##### Restructuring

A provision for restructuring is recognised when the municipality has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced as publicly.

##### Long Service Award

In terms of the Collective Bargaining Agreement, employees who achieve a certain predetermined milestone of service within the municipality are entitled to leave days or cash equivalent. A provision is made at the end of each balance sheet date based on the estimated number of employees who are likely to achieve the milestones in the future. The provision is discounted using a reasonable discounting rate.

### 1.14 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- (1) the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- (2) the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (3) the amount of revenue can be measured reliably;
- (4) it is probable that the economic benefits associated with the transaction will flow to the municipality; and
- (5) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts.

#### Services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or services potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

## **Accounting Policies**

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### **1.14 Revenue (continued)**

#### **Service Charges**

Service charges relating to distribution of water are based on consumption. Meters are read on a regular basis consumption is recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation services are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council. Revenue is recognised on a monthly basis.

#### **Interest, royalties and dividends**

##### **Interest earned and rentals received**

Interest income is recognised in surplus or deficit as it accrues, using the effective interest method. Interest earned on unutilised conditional grants is recognised as an unspent conditional grants liability if the grant conditions indicate that interest is payable to the grantor.

Rental income from operating leases is recognised on a straight line basis over the lease term.

##### **Dividends**

Dividends are recognised on the date that the municipality's right to receive the dividend has been established.

##### **Royalties**

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreements.

##### **Other**

##### **Tariff charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

##### **Housing rental and installments**

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised as it accrues in surplus or deficit using the effective interest method.

### **1.15 Revenue from non-exchange transactions**

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and, if applicable, there has been compliance with the relevant legal requirements or restrictions

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.15 Revenue from non-exchange transactions (continued)

#### Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councilors or officials is virtually certain.

#### Rates and Taxes

Revenue from rates, including collection charges and penalty interest, is recognised on a monthly basis when the taxes are levied as this is regarded to be the date when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and there has been compliance with the relevant legal requirements.

A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Fines

Revenue from the issuing of fines is recognised on receipt.

#### Donations and contributions

Revenue from donations is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and any restrictions associated with the donation have been met.

Revenue from donations is measured at the fair value of the consideration received or receivable, which is the cash amount received or where the donation is in the form of property, plant and equipment, the fair value of the property, plant and equipment received or receivable.

#### Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the recognition criteria had been met, as assets in the reporting period in which they are received or receivable.

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.15 Revenue from non-exchange transactions (continued)

#### Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### Consumer Deposits

Consumer deposits are charged when new water and/or electricity accounts are opened except for owner occupied proportions. The amounts vary per type of consumer and are approved by Council as part of the tariff structure.

### 1.16 Investment income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Dividend income is recognised in surplus or deficit on the date that the municipality's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets through profit or loss and impairment losses recognised on financial assets. Borrowing costs are recognised in surplus or deficit using the effective interest method.

### 1.17 Comparative figures

When the presentation or classification of items in the annual financial statements are amended, comparative amounts are reclassified. The nature and amounts of reclassifications as well as the reasons are disclosed in the notes to the financial statements.



# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.18 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000) and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the municipality's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable until it is recovered or written off as irrecoverable.

### 1.21 Presentation of currency

These annual financial statements are presented in South African Rand, which is the municipality's functional currency. All financial information has been rounded to the nearest Rand.

### 1.22 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 1.23 Budget information

Mafikeng Local Municipality is subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period has been included in the annual financial statements.

The Statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by GRAP 1.

### 1.24 Tax

#### Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

- The annual financial statements have been prepared on the assumption that the municipality will continue to operate on a going concern basis for at least the next twelve months.

# **Mafikeng Local Municipality**

Financial Statements for the year ended 30 June 2012

## **Accounting Policies**

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### **1.25 Net reserves**

Net reserves are a residual interest in the assets of an municipality after deducting all of its liabilities from the total municipal assets.

### **1.26 Borrowing costs**

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.27 Housing development fund**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
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### 2. Investment property

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	397,972,720	-	397,972,720	397,972,720	-	397,972,720

#### Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	397,972,720	397,972,720

#### Reconciliation of investment property - 2011

	Opening balance	Fair value adjustments	Total
Investment property	353,741,126	44,231,594	397,972,720

Fair value of investment properties	-	397,972,720
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#### Pledged as security

There were no pledges made against investment properties. However, income from one of the investment properties is used as security for one of the DBSA Loans.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand

2012

2011

3.

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	34,466,370	-	34,466,370	34,466,370	-	34,466,370
Buildings	33,931,917	(4,261,427)	29,670,490	33,825,051	(3,130,363)	30,694,688
Plant and machinery	-	1	1	-	1	1
Furniture and fixtures	6,632,899	(3,434,155)	3,198,744	6,504,308	(2,502,138)	4,002,170
Motor vehicles	20,607,441	(11,438,731)	9,168,710	20,607,440	(8,494,811)	12,112,629
Office equipment	1,418,283	(666,655)	751,628	1,389,083	(464,695)	924,388
IT equipment	1,502,948	(903,818)	599,130	1,502,948	(603,228)	899,720
Bridges	48,188,375	(6,164,462)	42,023,913	48,188,375	(4,558,183)	43,630,192
Community Buildings	3,771,081	(406,332)	3,364,749	3,771,081	(280,629)	3,490,452
Other Assets	3,531,737	(1,656,183)	1,875,554	3,531,737	(1,214,716)	2,317,021
Roads, Storm Drains & Pavements	145,323,115	(18,481,273)	126,841,842	145,323,115	(13,526,864)	131,796,251
Bins and containers	1,260,029	(720,017)	540,012	1,260,029	(540,013)	720,016
Capital work in progress	37,083,128	-	37,083,128	18,476,711	-	18,476,711
Reservoirs	4,824,702	(38,334)	4,786,368	4,824,702	(19,167)	4,805,535
Emergency Equipment	1,262,898	(802,306)	460,592	1,262,898	(549,726)	713,172
Sanitation Skips	178,200	(71,280)	106,920	178,200	(53,460)	124,740
High Mast Lights	53,788,945	(9,521,309)	44,267,636	53,788,945	(6,792,700)	46,996,245
Refuse Tanker	209,544	(125,149)	84,395	209,544	(104,195)	105,349
Recreational Facilities	1,125,603	(182,908)	942,695	926,221	(126,628)	799,593
Landfill Site	1,831,645	(269,359)	1,562,286	1,831,645	(161,615)	1,670,030
Stadiums	6,410,965	(1,281,094)	5,129,871	6,410,965	(960,546)	5,450,419
Farms	20,428,214	-	20,428,214	20,428,214	-	20,428,214
Heritage	913,750	-	913,750	913,750	-	913,750
Sewerage, Water Network & Piping	95,303,022	(36,723,429)	58,579,593	95,303,022	(27,193,127)	68,109,895
<b>Total</b>	<b>523,994,811</b>	<b>(97,148,220)</b>	<b>426,846,591</b>	<b>504,924,354</b>	<b>(71,276,803)</b>	<b>433,647,551</b>

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand 2012 2011

### 3. (continued)

#### Reconciliation of - 2012

	Opening balance	Additions	Depreciation	Total
Land	34,466,370	-	-	34,466,370
Buildings	30,694,688	106,866	(1,131,064)	29,670,490
Plant and machinery	1	-	-	1
Furniture and fixtures	4,002,170	128,591	(932,017)	3,198,744
Motor vehicles	12,112,629	-	(2,943,919)	9,168,710
Office equipment	924,388	29,200	(201,960)	751,628
IT equipment	899,720	-	(300,590)	599,130
Bridges	43,630,192	-	(1,606,279)	42,023,913
Community Buildings	3,490,452	-	(125,703)	3,364,749
Other Assets	2,317,021	-	(441,467)	1,875,554
Roads, Storm Drains & Pavements	131,796,251	-	(4,954,409)	126,841,842
Bins and containers	720,016	-	(180,004)	540,012
Capital work in progress	18,476,711	18,606,417	-	37,083,128
Reservoirs	4,805,535	-	(19,167)	4,786,368
Emergency equipment	713,172	-	(252,580)	460,592
Sanitation Skips	124,740	-	(17,820)	106,920
High Mast Lights	46,996,245	-	(2,728,609)	44,267,636
Refuse Tanker	105,349	-	(20,954)	84,395
Recreational Facilities	799,593	199,382	(56,280)	942,695
Landfill Site	1,670,030	-	(107,744)	1,562,286
Stadiums	5,450,419	-	(320,548)	5,129,871
Farms	20,428,214	-	-	20,428,214
Heritage	913,750	-	-	913,750
Sewerage, Water Network & Piping	68,109,895	-	(9,530,302)	58,579,593
	<b>433,647,551</b>	<b>19,070,456</b>	<b>(25,871,416)</b>	<b>426,846,591</b>

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
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### 3. (continued)

#### Reconciliation of - 2011

	Opening balance	Additions	Transfers	Depreciation	Total
Land	34,466,370	-	-	-	34,466,370
Buildings	31,419,737	390,485	-	(1,115,534)	30,694,688
Plant and machinery	-	1	-	-	1
Furniture and fixtures	4,264,632	610,874	-	(873,336)	4,002,170
Motor vehicles	15,056,550	-	-	(2,943,921)	12,112,629
Office equipment	947,974	157,864	-	(181,450)	924,388
IT equipment	788,838	374,592	-	(263,710)	899,720
Bridges	41,698,365	3,511,556	-	(1,579,729)	43,630,192
Community Buildings	3,616,158	-	-	(125,706)	3,490,452
Other Assets	2,580,605	168,794	-	(432,378)	2,317,021
Roads, Storm Drains & Pavements	136,640,354	-	-	(4,844,103)	131,796,251
Bins and containers	900,021	-	-	(180,005)	720,016
Capital work in progress	12,713,066	23,372,255	(17,608,610)	-	18,476,711
Reservoirs	-	4,824,702	-	(19,167)	4,805,535
Emergency Equipment	826,271	134,827	-	(247,926)	713,172
Sanitation Skips	142,560	-	-	(17,820)	124,740
High Mast Lights	40,371,269	9,272,352	-	(2,647,376)	46,996,245
Refuse Tanker	126,303	-	-	(20,954)	105,349
Recreational Facilities	845,907	-	-	(46,314)	799,593
Landfill Site	1,777,773	-	-	(107,743)	1,670,030
Stadiums	5,770,964	-	-	(320,545)	5,450,419
Farms	20,428,214	-	-	-	20,428,214
Heritage	913,750	-	-	-	913,750
Sewerage, Water Network & Piping	77,640,197	-	-	(9,530,302)	68,109,895
	<b>433,935,878</b>	<b>42,818,302</b>	<b>(17,608,610)</b>	<b>(25,498,019)</b>	<b>433,647,551</b>

#### Pledged as security

Leased vehicles are self-secured in that they are used as security for the loans which were used to fund them. Carrying value of assets pledged as security:

Motor vehicles	2,450,185	4,444,438
The terms of the agreement are that the lessor retains ownership of the vehicles until the loan is fully paid. More details of the loan are disclosed under finance leases.		

#### Assets subject to finance lease (Net carrying amount)

Motor vehicles	2,450,185	4,444,438
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### 4. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,555,054	(419,185)	1,135,869	1,555,054	(108,174)	1,446,880

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
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### 4. Intangible assets (continued)

#### Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software, other	1,446,880	(311,011)	1,135,869

#### Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software	44,655	1,500,414	(98,189)	1,446,880

#### Pledged as security

There are no intangible assets pledged as security.

### 5. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

#### 2012

	Loans and receivables	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Total
Trade and other receivables	4,802,489	-	-	4,802,489
Other receivables from non-exchange transactions	7,188,063	-	-	7,188,063
Cash and cash equivalents	-	16,781	-	16,781
Shares in unit trust	-	-	3,869,420	3,869,420
Money Market Investments	-	33,470,434	-	33,470,434
	<b>11,990,552</b>	<b>33,487,215</b>	<b>3,869,420</b>	<b>49,347,187</b>

#### 2011

	Loans and receivables	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Held to maturity investments	Total
Trade and other receivables	19,408,762	-	-	-	19,408,762
Other receivables from non-exchange transactions	11,535,942	-	-	-	11,535,942
Cash and cash equivalents	-	7,413	-	-	7,413
Shares in unit trusts	-	-	3,711,996	-	3,711,996
Held to maturity investment	-	-	-	7,041,195	7,041,195
Money Market Investments	-	7,327,965	-	-	7,327,965
	<b>30,944,704</b>	<b>7,335,378</b>	<b>3,711,996</b>	<b>7,041,195</b>	<b>49,033,273</b>

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
<b>6. Employee benefit obligations</b>		
<b>Defined benefit plan</b>		
<b>Post Retirement Medical Aid Benefit</b>		
The municipality operates a funded post-employment health care defined benefit plans for qualifying employees. Employees of the municipality are members of Bonitas, Keyhealth, Samwumed, Discovery and Hosmed medical schemes.		
We did not perform actuaries on the Post retirement medical aid provision for the financial year 2012, for this reason we inflated the valuations for the last financial year with the Consumer price index rate of 5.5%.		
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening balance	19,472,000	16,840,000
First time adoption-recognised during the year	-	-
Benefits paid	(84,777)	(101,583)
Net expense recognised in the statement of financial performance	2,864,929	2,733,583
<b>Closing balance</b>	<b>22,252,152</b>	<b>19,472,000</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	1,229,075	1,165,000
Interest cost	1,597,270	1,514,000
Actuarial (gains) losses	38,584	54,583
<b>Total included in employee related costs</b>	<b>2,864,929</b>	<b>2,733,583</b>
<b>Calculation of actuarial gains and losses</b>		
Expected benefit payments	(123,360)	(116,929)
Actual benefit payments	84,777	43,000
<b>Total</b>	<b>(38,583)</b>	<b>(73,929)</b>



# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
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### 6. Employee benefit obligations (continued)

#### Key assumptions used

The principal assumptions used for the purposes of the actuarial valuation on 30 June 2012 were as follows:

Discount rates used	- %	9.00 %
Net discount rate	- %	0.93 %
Expected increase in salaries	- %	7.25 %
Expected increase in healthcare costs	- %	8.00 %

The expense for the current year was derived and discounted to determine the valuation for the financial period 2009/10 which is an acceptable practice when valuing such defined plans. As such there are no key assumptions for the comparative period.

**Demographic Assumptions:** Normal Retirement Age (65 years); Fully accrued age (65 years); Age between husband and wife (Active members - 4 years, Pensioners 4 years); Proportion married (Active members - 90%, Pensioners actual married status used) .

**Decrement Assumptions:** Mortality [Active members: SA85 - 90, Pensioners: PA(90 - 2]

**Data Assumption:** The actual date of birth for pensioners spouses were not provided. As such the age difference between the husband and wife was assumed to be four years.

**Data Assumption:** The actual date of birth for pensioners spouses were not provided. As such the age difference between the husband and wife was assumed to be four years.

Continuation percentages: It was assumed that 100% of the deceased pensioners' spouses will continue with their membership.]

#### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

#### Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The total economic entity contribution to pension schemes	14,543,752	14,390,632
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The amount recognised as an expense for medical aid contributions	6,350,644	6,034,836
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Included in defined contribution plan information above, is the Multi- Employer Pension Fund contributions, which due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s), are accounted for as Defined Contribution Plans.

### 7. Shares & Unit Trusts

The municipality has shares in Sanlam, which were obtained through the demutualisation process. Furthermore, other investments in unit trusts are also maintained at Investec.

Opening Balance	3,711,996	3,561,342
Movement in share price / Changes in investment	157,424	150,654
	<b>3,869,420</b>	<b>3,711,996</b>

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
<b>8. Inventories</b>		
Land	28,804,255	28,804,255
Consumable stores	2,450,516	2,557,032
	<b>31,254,771</b>	<b>31,361,287</b>

### Inventory pledged as security

There were no security pledges made against inventory during the current and prior financial period.

### 9. Other receivables from non-exchange transactions

Property Rates	166,963,241	190,919,347
Provision for bad debts	(159,775,178)	(179,383,405)
	<b>7,188,063</b>	<b>11,535,942</b>

### Other receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2011, and at 30 June 2012 there were no amounts past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	5,570,791	3,984,675
2 months past due	1,108,752	3,702,850
3 months past due	508,519	3,848,416

### Other receivables from non-exchange transactions impaired

As of 30 June 2012, Other Receivables from Non-Exchange transactions of R159, 775, 178 (2011: R179 383 405) were impaired and provided for.

### 10. Receivables from exchange transactions

Accrued Income	55,948	24,281
Other debtors	3,843,588	422,100
Health Subsidy Debtors	2,000	2,000
Staff Debtors	4,068	2,369
Sundry debtors	7,827,954	7,250,929
Civil Contract Sessions	(768,661)	-
Staff Contra	684,287	-
Provision for bad debts	(6,846,695)	(6,846,695)
	<b>4,802,489</b>	<b>854,984</b>

### 11. Consumer debtors

#### Gross balances

Water	101,358,101	92,992,863
Sewerage	41,240,310	39,653,597
Refuse	42,420,325	33,773,689
Interest Levied (on Consumer Debtors)	134,230,620	121,226,123
	<b>319,249,356</b>	<b>287,646,272</b>

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
<b>11. Consumer debtors (continued)</b>		
<b>Less: Provision for debt impairment</b>		
Water	(89,789,152)	(87,363,826)
Sewerage	(35,752,774)	(37,246,020)
Refuse	(38,315,861)	(31,723,019)
Interest Levied (on Consumer Debtors)	(120,422,879)	(113,883,357)
	<b>(284,280,666)</b>	<b>(270,216,222)</b>
<b>Net balance</b>		
Water	11,568,949	5,629,037
Sewerage	5,487,536	2,407,577
Refuse	4,104,464	2,050,670
Interest Levied (on Consumer Debtors)	13,807,741	7,342,766
	<b>34,968,690</b>	<b>17,430,050</b>
<b>Water</b>		
Current (0 -30 days)	7,592,468	3,135,780
31 - 60 days	1,837,636	1,234,419
61 - 90 days	2,138,845	1,258,838
	<b>11,568,949</b>	<b>5,629,037</b>
<b>Sewerage</b>		
Current (0 -30 days)	1,582,335	922,360
31 - 60 days	1,274,712	758,533
61 - 90 days	2,630,489	726,684
	<b>5,487,536</b>	<b>2,407,577</b>
<b>Refuse</b>		
Current (0 -30 days)	1,538,111	778,100
31 - 60 days	1,321,813	655,832
61 - 90 days	1,244,540	616,738
	<b>4,104,464</b>	<b>2,050,670</b>
<b>Interest (On Consumer debtor)</b>		
Current (0 -30 days)	3,239,967	2,521,993
31 - 60 days	2,914,264	2,447,591
61 - 90 days	7,653,510	2,373,242
	<b>13,807,741</b>	<b>7,342,826</b>
<b>Reconciliation of debt impairment provision</b>		
Balance at beginning of the year	(270,216,222)	(251,021,651)
Net contributions to provision	(14,064,443)	(19,194,571)
	<b>(284,280,665)</b>	<b>(270,216,222)</b>
<b>Consumer debtors pledged as security</b>		
There were no pledges made against consumer debtors.		

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
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### 11. Consumer debtors (continued)

#### Consumer debtors past due but not impaired

As of 30 June 2012, consumer debtors of R284, 280, 665 (2011: R270 216 222) were impaired and provided for.

The ageing of amounts past due but not impaired is as follows:

1 month past due	13,952,881	7,358,173
2 months past due	7,348,425	5,096,375
3 months past due	13,667,384	4,975,502

#### Consumer debtors impaired

As of 30 June 2012, consumer debtors of R284, 280, 665 (2011: R270 216 222) were impaired and provided for.

### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	16,781	7,413
Bank overdraft	(29,992,590)	(17,708,509)
	<b>(29,975,809)</b>	<b>(17,701,096)</b>
Current assets	16,781	7,413
Current liabilities	(29,992,590)	(17,708,509)
	<b>(29,975,809)</b>	<b>(17,701,096)</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
Standard Bank - Current Account	(29,992,590)	-	-	-	(17,708,509)	-
Petty Cash	16,781	-	-	-	7,413	-
<b>Total</b>	<b>(29,975,809)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,701,096)</b>	<b>-</b>

### 13. Other Interesting Bearing Liabilities

#### Held at amortised cost

DBSA Loans (Long Term Portion)	15,966,584	18,959,476
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The loans carry interest rates varying between 5% and 15% per annum and are repayable over period ranging between 10 - 20 years. As at 30 June 2012 no amount was in arrears. These loans were used to fund the municipality's infrastructure assets. The Loans are secured over the rental income from one of the municipality's investment property.

DBSA Loans (Short Term Portion)	2,524,638	4,172,812
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The terms and conditions are as described above.

INCA Loans (Long Term Portion)	15,821,022	17,119,295
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The loans carry interest rates varying between 10% and 15% per annum and are repayable over period ranging between 10 - 20 years. As at 30 June 2012 no amount was in arrears. These loans were used to fund the municipality's infrastructure assets. The loans are secured by the municipality's income from assessment rates.

INCA Loans (Short Term Portion)	1,298,273	1,259,109
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The terms and conditions are as described above

<b>35,610,517</b>	<b>41,510,692</b>
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# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
<b>13. Other Interesting Bearing Liabilities (continued)</b>		
<b>Non-current liabilities at amortised cost</b>		
Development bank of South Africa	-	-
INCA	31,787,606	36,078,773
	<b>31,787,606</b>	<b>36,078,773</b>
<b>Current liabilities at amortised cost</b>		
Development bank of South Africa	-	-
INCA	3,822,911	5,431,921
	<b>3,822,911</b>	<b>5,431,921</b>
	31,787,606	36,078,773
	3,822,911	5,431,921
<b>Fair value of the financial liabilities carried at amortised cost</b>		
Bank loans	35,187,857	415,102
<b>14. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	2,025,173	2,437,762
- in second to fifth year inclusive	983,838	3,009,157
	3,009,011	5,446,919
less: future finance charges	(209,723)	(540,595)
<b>Present value of minimum lease payments</b>	<b>2,799,288</b>	<b>4,906,324</b>
<b>Present value of minimum lease payments due</b>		
- within one year	1,855,504	2,106,392
- in second to fifth year inclusive	943,838	2,799,932
	<b>2,799,342</b>	<b>4,906,324</b>
It is the municipality policy to lease certain property, plant and equipment under finance leases.		
The average lease term was 5 years and the average effective borrowing rate was 10% (2011: 10%).		
Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.		
The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.		
<b>15. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant (MIG)	31,151,731	14,795,776
Rural Water Grant	67,560	67,560
Finance Management Grant (FMG)	51,139	41,760
Municipal System Improvement Grant (MSIG)	218,319	-
Library Grant	(219,150)	-
Training Fund Reserve	704,304	1
Satellite: First Ottoshoop	1,200,000	-
National Lottery Grant	693,000	-
	<b>33,866,903</b>	<b>14,905,097</b>

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
<b>15. Unspent conditional grants and receipts (continued)</b>		
<b>Movement during the year</b>		
Balance at the beginning of the year	14,905,097	10,212,508
Net additions during the year (Receipts net of adjustments)	52,308,510	31,837,000
Income recognition during the year including VAT (expenditure)	(22,094,210)	(27,144,411)
	<b>45,119,397</b>	<b>14,905,097</b>

See note 23 for reconciliation of grants from National/Provincial Government.

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand

### 16. Provisions

#### Reconciliation of provisions - 2012

	Opening Balance	Creditors	Audit Fees	Post Retirement benefits	Total
Environmental rehabilitation-Landfill Site	2,428,458	243,449	-	-	2,671,907
Legal proceedings	7,967,520	-	(7,967,520)	-	-
Post retirement benefits	10,191,910	-	-	2,315,890	12,507,800
	<b>20,587,888</b>	<b>243,449</b>	<b>(7,967,520)</b>	<b>2,315,890</b>	<b>15,179,707</b>

#### Reconciliation of provisions - 2011

	Opening Balance	Additions	Interest cost	Current service costs	Actuarial (gains)/losses	Actual benefit payments	Total
Environmental rehabilitation-Landfill Site	2,197,699	230,758	-	-	-	-	2,428,458
Legal proceedings	-	7,967,520	-	-	-	-	7,967,520
Long Service Award	9,600,930	-	823,967	658,495	1,251,444	(2,142,926)	10,191,910
	<b>11,798,629</b>	<b>8,198,278</b>	<b>823,967</b>	<b>658,495</b>	<b>1,251,444</b>	<b>(2,142,926)</b>	<b>20,587,888</b>

Non-current liabilities	-	9,235,796
Current liabilities	15,179,707	11,352,092
	<b>15,179,707</b>	<b>20,587,888</b>

#### Transitional provisions

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
<b>17. Trade and other payables</b>		
Debtors with credit balances	21,394,191	28,296,457
Accrued bonus	-	4,936,671
Accrued Long Service Award	11,205,962	11,617,764
Sundry creditors	4,790,142	2,192,693
Accrued leave pay	14,674,860	14,620,920
Trade payables	42,639,823	31,501,551
Unallocated receipts	4,260,280	876,347
	<b>98,965,258</b>	<b>94,042,403</b>
<b>18. VAT payable</b>		
Balance due	11,620,796	15,604,360
<b>19. Consumer deposits</b>		
Other deposits	3,396,307	2,608,494
Water	1,508,804	1,507,498
	<b>4,905,111</b>	<b>4,115,992</b>
<b>20. Revenue</b>		
Property rates	97,628,211	122,895,745
Service charges	91,651,726	70,197,067
Rental of facilities & equipment	3,423,214	3,049,892
Interest received – trading	29,718,851	26,167,840
Fines	2,419,237	1,512,555
Licences and permits	5,102,711	4,716,997
Government grants & subsidies	150,446,222	125,702,840
Other income	4,644,241	14,395,334
Fair Value Adjustment	-	44,231,594
Miscellaneous other revenue	73,548	351,332
	<b>385,107,961</b>	<b>413,221,196</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	91,651,726	70,197,067
Rental of facilities & equipment	3,423,214	3,049,892
Interest received – trading	29,718,851	26,167,840
Licences and permits	5,102,711	4,716,997
Other income	4,644,241	14,395,334
Miscellaneous other revenue	73,548	351,332
	<b>134,614,291</b>	<b>118,878,462</b>
<b>The amount included in revenue arising from non-exchange transactions are as follows:</b>		
<b>Taxation revenue</b>		
Property rates	97,628,211	122,895,745
Fines	2,419,237	1,512,555
<b>Transfer revenue</b>		
Grants and Subsidies	150,446,222	125,702,840
Fair Value Adjustment	-	44,231,594
	<b>250,493,670</b>	<b>294,342,734</b>



# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
<b>21. Property rates</b>		
<b>Rates received</b>		
Residential	98,407,639	123,421,753
Less: Income forgone	(779,428)	(526,008)
	<b>97,628,211</b>	<b>122,895,745</b>
<b>Valuations</b>		
Residential	3,634,966,734	1,627,015,184
Commercial	963,234,644	650,091,894
State	1,477,106,326	1,080,025,111
Industrial	304,568,215	129,697,564
Small holdings and farms	1,069,407,845	349,273,126
Creche	8,400,000	2,293,945
Guest Houses	55,190,000	18,434,609
Other	723,491,962	1,274,615,232
	<b>8,236,365,726</b>	<b>5,131,446,665</b>

Valuations on land and buildings are performed every four years. The latest general valuation came into effect on 1 July 2011. Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0.105 cents per rand (2011: 0.105 cents per rand) is applied to property valuations to determine assessment rates. Discounts of 85% (Residential), 60% (Business/Commercial), 60% (Industrial) and 60% (Agricultural) {2011: 85% (Residential), 60% (Business/Commercial), 80% (Industrial) and 85% (Agricultural). Qualifying pensioners were granted a further 80 - 85% rebate (2009: 60 - 85%) are granted to residential and state property owners. For residential properties, the R40,000 is non-rateable (rebate). Thus, the discount for such properties is calculated after deducting the rebate.

Rates are levied on a monthly basis. Interest is levied on rates not paid by the due date.

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
<b>22. Service charges</b>		
Water sales	56,611,892	39,222,320
Sewerage	17,749,816	15,779,129
Refuse removal	17,290,018	15,195,618
	<b>91,651,726</b>	<b>70,197,067</b>

### The following general rates have been approved by Council:

Differentiated rates were applied as follows. Impermissible rate for residential was first R 40,000,00 for all residential properties.

	Description	Rate	Discount %	Rebate
(1)	Residential	0.005	100%	R 40,000,00
(2)	RDP	0.005	100%	-
(3)	Pensioners	0.005	80%	-
(4)	Agricultural Residential	0.005	80%	-
(5)	Farms	0.00125	75%	-
(6)	Government (Busines, Office Ottoshop, Park and Residential)	0.045	100%	-
(7)	Church	0.018	100%	-
(8)	Business	0.018	-	-
(9)	Creche	0.018	-	-
(10)	Industrial	0.018	-	-
(11)	Guesthouse 1, 2, 3	0.018	25%	-
(12)	Municipal	0.045	100%	-

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
<b>23. Government grants and subsidies</b>		
Equitable share	109,725,000	96,350,746
EPWP Grant	4,047,000	113,000
Government training subsidies	-	396,474
Health Subsidy - District Municipality	712,564	1,577,671
Library Grant	889,150	692,863
Municipal System Improvement Grant (MSIG)	-	1,256,937
Finance Management Grant (FMG)	1,990,828	1,701,077
Municipal Infrastructure Grant (MIG)	19,025,044	22,946,994
Rural Water	-	546,842
Health Service Subsidy	-	73,472
Special Projects Subsidy	-	29,604
Parks Amenities Subsidy	56,636	17,160
Subsidy District Municipality	2,500,000	-
Rural Water	3,500,000	-
Rural Waste	4,798,863	-
Health Service	3,201,137	-
	<b>150,446,222</b>	<b>125,702,840</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of 12 kilolitres of water per month (2010: 12 kilolitres), which is funded from the grant.

### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	14,795,776	8,325,769
Current-year receipts	35,381,000	29,417,000
Conditions met - transferred to revenue	(18,506,359)	(20,128,941)
Conditions met -VAT	-	(2,818,052)
	<b>31,670,417</b>	<b>14,795,776</b>

The grant was used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant & equipment whilst the unspent portion of the grant is included in current liabilities (see note 19).

No grant was held during the current period.

### Health Service Grant

Current-year receipts	(518,685)	-
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### Rural Water Support Grant

Balance unspent at beginning of year	67,560	614,402
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(479,686)
Conditions met - VAT	-	(67,156)
	<b>67,560</b>	<b>67,560</b>

This is mainly used in assisting municipalities in supplying water to the rural areas. This includes the purchase and installation of equipment used in supplying water to the various communities.

### Finance Management Grant (FMG)

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
<b>23. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	41,760	742,837
Current-year receipts	2,000,207	1,000,000
Conditions met - transferred to revenue	(1,990,828)	(1,632,077)
Conditions met - VAT	-	(69,000)
	<b>51,139</b>	<b>41,760</b>

The grant is mainly used for promoting and supporting reforms in financial management by building capacities in municipalities to implement the MFMA and improve progressive financial reporting for municipalities.

Conditions still to be met are included in current liabilities.

No grants were withheld during the year.

### Municipal System Improvement Grant (MSIG)

Balance unspent at beginning of year	-	506,937
Current-year receipts	830,000	750,000
Conditions met - transferred to revenue	(611,681)	(1,131,111)
Conditions met - Vat	-	(125,826)
	<b>218,319</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

### Library Grant

Balance unspent at beginning of year	-	22,863
Current-year receipts	670,000	670,000
Conditions met - transferred to revenue	(889,150)	(692,863)
	<b>(219,150)</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

### Training Fund Reserve

Current-year receipts	704,303	-
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Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

### Satelite:First Ottoshoop

Current-year receipts	1,200,000	-
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Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

### National Lottery Grant

Current-year receipts	693,000	-
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# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
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### 23. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

### 24. Other revenue

Fees earned	1,117,684	890,037
Commissions received	300,030	240,201
Unwound interest income - Long term debtors	-	8,009,574
Recoveries	258,741	807,529
Other income	55,439	2,307,028
Building plans fees	302,720	158,844
Blocked drains revenue	149,574	102,922
	<b>2,184,188</b>	<b>12,516,135</b>

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
<b>25. General expenses</b>		
Advertising	998,307	1,689,748
Auditors remuneration	2,804,286	1,337,185
Bank charges	969,186	796,016
Chemicals	598,031	712,121
Cleaning	449,690	83,800
Consulting and professional fees	2,732,373	6,154,545
Delivery expenses	81,173	130,470
Disaster Management	486,851	2,188,592
Disposal site Expenditure	1,997,709	1,651,657
Donations	6,579	-
Electricity	4,348,896	3,863,451
Entertainment	614,365	583,905
Extended public works programme	8,234,496	3,832,757
Fines and penalties	24	-
Free Basic Water	4,535,059	5,793,383
Fuel and oil	2,693,476	2,656,343
Insurance	431,985	1,284,479
Laboratory related costs	45,000	56,005
Lease rentals on operating lease	1,005,184	1,118,494
Library Grant	889,150	-
License vehicles	300,050	242,618
Magazines, books and periodicals	123,510	189,525
Materials	365,360	431,340
Medical expenses	115,293	86,854
Meter Reading	567,510	462,088
Other expenses	2,818,650	2,570,440
Post Employment Benefit	3,856,373	4,350,139
Postage and courier	640,389	535,879
Printing and stationery	1,338,878	1,316,519
Project maintenance costs	342,856	688,846
Promotions	2,712,263	1,830,092
Protective clothing	670,168	231,477
Royalties and license fees	1,448,623	698,961
Security (Guarding of municipal property)	4,555,098	2,772,988
Skills Development Levy	825	447,350
Staff welfare	-	788,722
Subscriptions and membership fees	3,293,786	3,426,729
Telephone and fax	3,132,553	2,645,308
Training	777,484	1,963,047
Travel - local	985,282	1,564,284
Unwound interest	2,352,745	230,758
Valuation Roll	100,366	2,877,752
Ward Committee Expenses	2,203,008	1,206,459
	<b>66,622,890</b>	<b>65,491,126</b>

Botshelo Water amount not yet paid is: R 34,954,800 in respect of Bulk Purchases from Jan-June 2012 - dispute registered

## 26. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

### Operating lease charges

Lease rentals on operating lease - Other

• Contractual amounts	1,005,184	1,118,494
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# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
<b>26. Operating surplus (deficit) (continued)</b>		
Impairment on trade and other receivables	49,520,769	-
Depreciation on property, plant and equipment	26,182,428	25,607,481
Employee costs	181,971,764	187,393,354

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
<b>27. Employee related costs</b>		
Basic	125,298,043	121,707,910
Bonus	6,394,035	5,830,677
Medical aid - company contributions	6,350,644	5,948,913
UIF	597,343	599,970
Post Retirement Benefit - Actuarial loss	762,468	1,306,028
Long service award -current	-	11,205,962
Post Retirement Benefit -Interest	2,471,517	3,386,967
Post Retirement Benefit - Current service costs	1,946,834	774,495
Overtime payments	5,975,928	6,152,323
Allowances locomotion	192,463	123,008
Housing benefits and allowances	646,531	1,048,224
Pension Funds	14,543,752	14,374,973
	<b>165,179,558</b>	<b>172,459,450</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	345,661	813,504
Car Allowance	56,098	150,000
Other	303,617	223,107
	<b>705,376</b>	<b>1,186,611</b>
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	233,475	748,578
Car Allowance	-	153,979
Other	515,687	40,871
	<b>749,162</b>	<b>943,428</b>
<b>Remuneration of corporate service directors</b>		
Annual Remuneration	507,468	728,136
Car Allowance	85,200	85,200
Other Allowance	249,053	31,284
	<b>841,721</b>	<b>844,620</b>
<b>Remuneration of planning &amp; development service director</b>		
Annual Remuneration	330,179	667,785
Car Allowance	-	108,000
Other Allowance	416,176	56,136
	<b>746,355</b>	<b>831,921</b>
<b>Remuneration of infrastructure service director</b>		
Annual Remuneration	330,179	507,920
Car Allowance	-	170,519
Other Allowance	298,085	161,770
	<b>628,264</b>	<b>840,209</b>
<b>Remuneration of community services director</b>		
Annual Remuneration	732,630	836,186
Other Allowance	94,018	32,053



# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
<b>27. Employee related costs (continued)</b>	<b>826,648</b>	<b>868,239</b>
<b>Remuneration of public safety</b>		
Annual Remuneration	394,129	613,237
Car Allowance	113,465	110,413
Other Allowance	324,808	150,389
	<b>832,402</b>	<b>874,039</b>
<b>28. Remuneration of councillors</b>		
Executive Major	685,111	631,828
Mayoral Committee Members	3,889,316	3,633,809
Speaker	536,723	501,730
Councillors	11,325,399	10,166,537
Chief Whip	355,657	-
	<b>16,792,206</b>	<b>14,933,904</b>
<b>In-kind benefits</b>		
<p>The Executive Mayor, Speaker, Chief Whip, Single Whip of Council and Mayoral Committee Members are full-time and are provided office space at the cost of the council. In addition, they are paid travelling allowances for trips outside Mafikeng. The Executive Mayor, Speaker, Chief Whip and Single Whip of Council are also provided with secretarial support at the cost of the Council.</p> <p>The Executive Mayor has use of a Council owned vehicle for official duties. The Mayor's driver also acts as a bodyguard.</p>		
<b>29. Debt impairment</b>		
Debts impaired	(39,844,445)	79,409,372
<p>Debtors written off during the year amounted to R8 791 235 (200: R419 743).</p>		
<b>30. Investment revenue</b>		
<b>Interest revenue</b>		
Interest earned (bank & investment accounts)	2,460,053	1,879,199
	-	-
	<b>2,460,053</b>	<b>1,879,199</b>
<b>31. Depreciation and amortisation</b>	<b>26,182,428</b>	<b>25,607,481</b>
<b>32. Finance costs</b>		
Other interest paid	3,893,727	4,799,577
<b>33. Auditors' remuneration</b>		
Fees	2,804,286	1,337,185

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
<b>34. Rental of facilities and equipment</b>		
<b>Premises</b>		
Rental of offices and halls	3,423,214	3,049,892
Rental of offices and halls	3,423,214	3,049,892
Garages and parking	-	-
Facilities and equipment	-	-
<b>35. Bulk purchases</b>		
Water	51,175,554	43,489,896
<b>36. Cash generated from operations</b>		
Surplus (deficit)	12,861,849	(19,451,277)
<b>Adjustments for:</b>		
Depreciation and amortisation	26,182,428	25,607,481
Impairment deficit	-	-
Bad debts written off	-	79,409,372
Movements in retirement benefit assets and liabilities	2,864,929	1,630,000
Movements in provisions	(5,408,181)	8,789,258
Other non-cash items	-	4,389,979
<b>Changes in working capital:</b>		
Inventories	106,516	(547,740)
Receivables from exchange transactions	(3,947,805)	5,899,591
Other receivables from non-exchange transactions	4,347,879	3,109,244
Consumer debtors	(17,538,640)	(77,762,033)
Trade and other payables	4,922,855	14,854,182
VAT	(3,983,564)	(3,531,803)
Unspent conditional grants and receipts	18,961,806	4,692,289
Consumer deposits	789,119	444,462
	<b>40,159,191</b>	<b>47,533,005</b>

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
<b>37. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Approved and contracted for</b>		
• Property, plant and equipment	7,422,760	11,960,084
<b>Not yet contracted for but authorised</b>		
• Property, plant and equipment	32,873,755	45,309,225

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated and grants from provincial and national government.

### Litigations

The two outstanding Labour related litigations against the municipality are as follows:

#### (1) G.D. Madumo / MLM

The municipality was lodged with a claim to the amount of R 342,061,50 for arbitration still in process, the hearing is to be held on the 04th - 05th of October 2012. The amount still to be paid by the municipality is R 162,805,45.

#### (2) MLM / Illegal Occupants: Erf

The municipality was lodged with a claim of R 25,280,00 for eviction and the case is still pending.

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
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### 38. Contingencies

#### Balances from Attorneys Correspondences

Service provider cases	-	200,000
Property loss/damage cases	1,486,033	5,030,000

#### (1) Manuel V. Pestana / MLM :

A claim of R 1,486,033,20 was lodged against the municipality for unprevented fire (damages).  
Filed Rule 35 (14) notice requesting technical documents from the plaintiff still waiting for police report.

#### (2) The Crossing Shopping Mall, / MLM

Appeal before the Townships Board over rezoning of Erven 1172, 3370 and remainder of Erf 1410, Mafikeng.  
Appeal was heard on 1 July 2011 and judgement was reserved as the Board ruled against the rezoning.

#### (3) Sibanda and 72 others / MLM

The municipality was sued by MM Sibanda and 72 others for the underpayment of standby and fire protection allowances for the four year period ended 2003. On the 10th of August 2011 the Labour Court of South Africa (held at Johannesburg) ruled in favour of the applicant and the municipality was ordered to pay the full amount including interest of 15.5% per annum from 31 July 2006 to 10 August 2011 as well as the interest between 2003 and 2006 at the same rate. The total amount due as per the court order was R5,521,371.35.

On the 17th of November 2011 the Registrar of the Labour Court of South Africa issued a Writ of Execution to the municipality's bankers to the amount of R5,521,371.35. As a result of this, the municipal bankers effected the required payment to the sheriff on the 5th of December 2011. The municipality is in the process of engaging the applicants' attorneys regarding, inter alia, the correctness of the number of the applicants, the calculation of interest and total amount due.

#### (4) Contingent liabilities - Leave in Excess of 48 days

In terms of the North West Collective Bargaining Agreement, employees are not allowed to accrue more than 48 leave days. As at June 2012, some of the employees had leave days in excess of the prescribed maximum days. The total leave days in excess of 48 days amounted to R4, 169, 515.

#### Contingent liabilities - Environmental Act

In terms of the Environmental the municipality is responsible for a number of environmental related transactions that may take place in its jurisdiction. This give rise to contingent liabilities. However, the nature of such transactions cannot be estimated both financially and the number of occurrence, if any are to occur. Whilst the municipality is not aware of such liabilities, the following are the key transactions:

- contingent liabilities relating to fines that may be imposed by the Department of Environmental Affairs as a result of illegal dumping by the municipal residents.
- penalties relating to lack of proper security at the municipal's dumping site or lack of monitoring waste being dumped there as some waste should be dumped in certain specified ways so as to avoid related healthy hazards e.g. medical waste.
- costs related to the rehabilitation of sewerage plants. This is despite the fact that sewerage infrastructure are seldomly rehabilitated but rather upgraded.

#### Contingent liabilities - Post Retirement Medical Aid Benefits

The municipality provides post retirement medical aid benefits to employees who meets the criteria as per the funds' terms. As at year end, some employees were members of the approved medical aid schemes whilst others were not. For the employees who were not members of an approved medical aid scheme they did not qualify for the benefit. However, should these employees join an approved medical scheme prior to their retirement, they would qualify for such benefits, upon retirement. The municipality estimated the following, among others:

- employees who were members of an approved scheme and were likely to retire whilst working for the municipality but were not likely to take up the option for the post retirement benefit scheme (as not all qualifying members take up the option on retirement).

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
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### 38. Contingencies (continued)

- the employees who did not qualify for the scheme and were not likely to join approved medical aid schemes prior to retirement.
- employees who did not qualify but were likely to join an approved medical aid scheme. However, some of them were not likely to take up the option on retirement.

### 39. Related parties

During the year, there were no related party transactions. The municipality has various processes in place to identify and note any related party transactions. These range from disclosure by bidders on the bid documents (MB4) to maintenance of a conflict of interest register. For councillors, this is kept in the Office of the Speaker whilst for other senior managers it is kept by the Corporate Services Directorate.

### 40. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by the municipality under policies approved by the Municipal Manager.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain borrowings in fixed and variable rate instruments, all denominated in the Rand.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing.

Trade receivables comprise a widespread customer base. The municipality cannot, however, limit the rate at which it can offer services to its stakeholders as it has a constitutional mandate to offer these services. Credit control measures are therefore implemented within the approved municipal policies and relevant acts governing municipal operations.

Financial assets exposed to credit risk at year end were as follows:

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
<b>41. Unauthorised expenditure</b>		
Opening Balance	87,457,118	87,457,118
Current Year Expenditure - Employee Costs	-	16,101,325
Current Year Expenditure: Debt Impairment	-	79,409,372
Current Year Expenditure: Depreciation	17,696,742	19,325,495
Current Year Expenditure: Bulk purchases	6,655,554	1,489,896
Prior Year Unauthorised Expenditure	-	-
Less Amount Condoned	-	(116,326,088)
	<b>111,809,414</b>	<b>87,457,118</b>

The detailed analysis for the comparatives between actual expenditure/income and budgeted income/expenditure is as shown in Note 58 in the financial statements.

The foregoing expenditure was approved by Council for condonement in its meeting held on the 28th of February 2012.

Comparative information could not be disclosed on a line by line basis as in the prior year, the basis used to prepare the budget was different from the basis used to prepare the annual financial statements. As such, a reconciliation statement of the budgeted position and the actual performance was disclosed (as required by GRAP Framework in the previous period).

Measures are in place to seek council approval for the condonement of prior year unauthorised expenditure.

### 42. Fruitless and wasteful expenditure

Opening balance	22,686	22,686
Add: Fruitless and Wasteful Expenditure- current year: SARS PAYE Penalties	-	136,045
SARS Penalties interest	-	39,084
SARS UIF Penalties	-	15,004
SARS UIF Penalties interest	-	614
SARS SDL Penalties	-	3,080
SARS SDL Penalties interest	-	3,375
Interest Eskom	50,517	9,350
Less: Amounts condoned	-	(206,552)
	<b>73,203</b>	<b>22,686</b>

Include particulars of any criminal or disciplinary steps taken as a consequence of above expenditure

#### (1) Construction Industry Development Board (CIBD):

Enquiry against municipality on allegations of having failed to comply CIBD Regulations in the procurement process relating to a tender resulting in a claim of R 106,476.00 which was paid after a plea of guilty. A fine of R 30, 000,00 was imposed and this matter was finalised.

#### (2) Africanism Building & Civils Versus Mafikeng Local Municipality:

Action for recovery of monies arising out of a tender amounting to R 89,376.00 is still to be paid. This matter was defended. At this stage there is consultation scheduled for drawing of plea. This matter is still pending.

### 43. Irregular expenditure

Opening balance	52,183,967	11,887,095
Add: Irregular Expenditure - current year	23,104,594	43,690,425
Less: Amounts condoned	-	(3,393,553)
	<b>75,288,561</b>	<b>52,183,967</b>

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
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### 44. Additional disclosure in terms of Municipal Finance Management Act

#### Water Losses

Units bought (kl)	12,104,011	11,543,020
Units sold (kl)	(11,132,277)	(10,502,148)
<b>Units lost in distribution revenue</b>	<b>971,734</b>	<b>1,040,872</b>
Units lost in distribution	971,734	1,040,872
Average cost per kl sold	4	4
<b>Loss in distribution (revenue)</b>	<b>4,353,368</b>	<b>3,921,619</b>
Percentage loss	8	9
Revenue per (kl) sold	8	7
No. of metres	14,151	14,151
No. of stands	19,265	19,265
	<b>33,432</b>	<b>33,432</b>

The municipality purchases water from the local water service authority and sells to its residents. During the current year they bought 12 104 011 kilolitres (2011: 11 543 020 ) and sold 11 132 277 (2011: 10 502 148) resulting in water losses of 971 734 in kilolitres. The losses are attributable to illegal connections and burst pipes.

#### Audit fees

Opening balance	3,207	779,071
Current year subscription / fee	2,808,447	1,524,390
Amount paid - current year	(1,890,691)	(2,300,254)
	<b>920,963</b>	<b>3,207</b>

#### PAYE and UIF

Opening balance	1,750,078	1,367,117
Current year subscription / fee	23,480,233	20,007,260
Amount paid - current year	(23,649,592)	(19,624,299)
	<b>1,580,719</b>	<b>1,750,078</b>

#### Pension and Medical Aid Deductions

Current year subscription / fee	20,894,396	21,025,438
Amount paid - current year	(20,894,396)	(21,025,438)
	-	-

#### VAT

VAT payable	11,620,796	15,604,360
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The municipality is registered for VAT on a cash basis. As such VAT is claimed or paid on receipt of payment or settlement of the transaction, respectively.

All VAT returns have been submitted by the due date throughout the year.

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
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### 44. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Mtunzi D	216	951	1,167
Councillor Molete G M	489	32,407	32,896
Councillor Sephoti M W	855	40,031	40,886
Councillor Ngqobe M	1,679	96,572	98,251
Councillor Ngqobe M	506	23,290	23,796
	<b>3,745</b>	<b>193,251</b>	<b>196,996</b>

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Africa AJ	147	4,533	4,680
Councillor Chilli (Kekana)	247	4,998	5,245
Councillor Sephoti M W	336	59,410	59,746
Councillor Molete G M	746	72,792	73,538
Councillor Ngqobe M	475	33,594	34,069
Councillor Ngqobe M	1,400	97,872	99,272
Councillor Ntshabele T	183	3,857	4,040
Councillor Selepe T L	276	3,763	4,039
	<b>3,810</b>	<b>280,819</b>	<b>284,629</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2012	Highest outstanding amount	Aging (in days)
Councillor Sephothi M W	45,031	90
Councillor Molete G M	38,344	90
Councillor Ngqobe M	25,795	90
Councillor Ngqobe M	101,361	90
	<b>210,531</b>	<b>360</b>

30 June 2011	Highest outstanding amount	Aging (in days)
Councillor Africa A J	4,533	90
Councillor Chilli (Kekana)	4,998	90
Councillor Sephoti M W	59,410	90
Councillor Molete G M	72,792	90
Councillor Ngqobe M	33,594	90
Councillor Ngqobe M	97,872	90
Councillor Ntshabele T	3,857	90
Councillor Selepe T L	3,763	90
	<b>280,819</b>	<b>720</b>



# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
<b>45. Money Market Instruments</b>		
Fixed Deposit	17,198,728	(8,984,488)
Unlisted	16,271,706	16,276,146
	<b>33,470,434</b>	<b>7,291,658</b>

Collateral deposits for staff housing loans

Included in other fixed deposits above are fixed deposits with a carrying value of R0,073 million (2010: R0,073 million), which were pledged as security deposits for securing staff home loans with financial institutions.

These pledges are repaid as soon as the employees' outstanding home loan balance is below 80% of the approved loan amount. The Entity's exposure to risk is minimised by an assurance policy taken out by the employee and ceded to the Entity to cover the guaranteed deposit

### 46. Housing Infrastructure Grant

Opening balance	3,470,046	-
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### 47. Government grant reserve

Opening balance	75,516,102	-
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### 48. Other reserve

Income	64,281	-
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### 49. Impairment of assets

#### Impairments

Trade and other receivables	49,520,769	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
	49,520,769	-
	-	-

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

The main events and circumstances that led to the recognition of these impairment losses are as follows:

The main events and circumstances that led to the reversals of these impairment losses are as follows:

### 50. Contracted services

Other Contractors	6,657,126	-
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### 51. Domestic Waste Removal Project

The municipality entered into an agreement with the Department of Environmental Affairs and Tourism (DEAT) to jointly waste removal services to the surrounding communities. In terms of the agreement signed in June 2009 DEAT will initially fund the project in full. Their funding component will reduce on an equal graduating scale to no funding by the end of the third year. To be awarded -refer to contract

# Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Figures in Rand	2012	2011
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### 52. Prior Year Adjustments

#### Operating Expenditure

There was also a difference of R 431,642 between the 2010/2011 Trial Balance and Statement of Financial Position. The amount of R 43,1642 in respect of Probida (vote no: 1000/00/1/16/4501) was disclosed as Revenue instead of Expenditure.

	Financial Statements	Trial Balance	Difference
<b>Expenditure</b>	432,240,836	432,672,478	431,642
<b>Revenue</b>	(412,789,553)	(413,221,195)	(431,642)
<b>Deficit</b>	<b><u>19,451,283</u></b>	<b><u>19,451,283</u></b>	<b><u>0</u></b>

#### Repairs and Maintenance and General Expenses

In the 2010/2011 financial year the classification in respect of Repairs and Maintenance and General Expenses were not done according to the financial system, Budget Trial Balance. This is now corrected.

	Original 2010/2011 AFS	Change (TB)	Difference
<b>Repairs and Maintenance</b>	5,108,870	25,679,072	20,570,202
<b>General Expenses</b>	85,629,693	65,491,126	(20,138,567)
<b>Total</b>	<b><u>90,738,563</u></b>	<b><u>91,170,198</u></b>	<b><u>431,63</u></b>

#### Bulk Purchases

The Municipality has registered a dispute with Botshelo Water on the Bulk Water Purchases. An amount of R 34,954,800 has been accrued in respect of invoices for the period January - June 2012.

## Appendix A

### Schedule of external loans as at 30 June 2012

Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
<b>Loan Stock</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Structured loans</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Funding facility</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Development Bank of South Africa</b>							
DBSA @ 13%	102/2301	31-Mar-12	1,862,082	-	1,862,082	-	-
DBSA @ 10%	205/2300	31-Mar-12	406,631	-	406,631	-	-
DBSA @ 5%	1028461/1	31-Mar-12	2,487,457	-	227,614	2,259,843	-
DBSA @ 5%	1028461/2	31-Mar-12	648,005	-	225,375	422,630	-

## Appendix A

### Schedule of external loans as at 30 June 2012

	Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			Rand	Rand	Rand	Rand		
DBSA @ 5%	1028461/3	31-Mar-12	17,728,113	-	1,919,364	15,808,749	-	-
			23,132,288	-	4,641,066	18,491,222	-	-
Bonds			-	-	-	-	-	-
INCA Loans								
INCA	MAF-00-001	30-Jun-15	4,000,000	-	1,000,000	3,000,000	-	-
INCA	MAF-01-002	30-Jun-28	14,378,405	-	259,109	14,119,296	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			18,378,405	-	1,259,109	17,119,296	-	-
Lease liability								
Standard Bank	0012-057	01-Jul-14	4,906,325	-	2,106,985	2,799,340	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			4,906,325	-	2,106,985	2,799,340	-	-
Annuity loans								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
Government loans								
			-	-	-	-	-	-

## Appendix A

### Schedule of external loans as at 30 June 2012

[illegible]

## Appendix B

Analysis of property, plant and equipment as at 30 June 2012	
Cost/Revaluation	Accumulated depreciation

[illegible]

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2012

#### Cost/Revaluation                      Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	913,750	-	-	-	-	-	913,750	-	-	-	-	-	-	913,750
	<b>913,750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>913,750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>913,750</b>
<b>Specialised vehicles</b>														
Refuse Tanker	209,544	-	-	-	-	-	209,544	104,195	-	-	20,954	-	125,149	334,693
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>209,544</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>209,544</b>	<b>104,195</b>	<b>-</b>	<b>-</b>	<b>20,954</b>	<b>-</b>	<b>125,149</b>	<b>334,693</b>
<b>Other assets</b>														
Motor vehicles	20,607,441	-	-	-	-	-	20,607,441	8,494,811	-	-	2,943,920	-	11,438,731	32,046,172
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	1,502,948	-	-	-	-	-	1,502,948	603,228	-	-	300,590	-	903,818	2,406,766
Intangible assets	1,555,054	-	-	-	-	-	1,555,054	108,174	-	-	311,011	-	419,185	1,974,239
Furniture & Fittings	6,504,308	128,591	-	-	-	-	6,632,899	2,502,138	-	-	932,905	-	3,435,043	10,067,942
Office Equipment	1,389,083	29,200	-	-	-	-	1,418,283	464,695	-	-	198,440	-	663,135	2,081,418
Emergency Equipment	1,262,898	-	-	-	-	-	1,262,898	549,726	-	-	252,580	-	802,306	2,065,204
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	33,825,051	106,866	-	-	-	-	33,931,917	3,130,363	-	-	1,128,703	-	4,259,066	38,190,983
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	1,260,029	-	-	-	-	-	1,260,029	540,013	-	-	180,004	-	720,017	1,980,046
Sanitation Skips	178,200	-	-	-	-	-	178,200	53,460	-	-	17,820	-	71,280	249,480
Other Assets	3,531,737	-	-	-	-	-	3,531,737	1,214,716	-	-	441,467	-	1,656,183	5,187,920
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>71,616,749</b>	<b>264,657</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71,881,406</b>	<b>17,661,324</b>	<b>-</b>	<b>-</b>	<b>6,707,440</b>	<b>-</b>	<b>24,368,764</b>	<b>96,250,170</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2012

#### Cost/Revaluation      Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	454,698,949	-	-	-	-	-	454,698,949	161,615	-	-	107,744	-	269,359	454,968,308
Infrastructure	365,904,871	18,606,418	-	-	-	-	384,511,289	52,090,041	-	-	18,689,299	-	70,779,340	455,290,629
Community Assets	11,108,267	199,382	-	-	-	-	11,307,649	1,367,803	-	-	499,957	-	1,867,760	13,175,409
Heritage assets	913,750	-	-	-	-	-	913,750	-	-	-	-	-	-	913,750
Specialised vehicles	209,544	-	-	-	-	-	209,544	104,195	-	-	20,954	-	125,149	334,693
Other assets	71,616,749	264,657	-	-	-	-	71,881,406	17,661,324	-	-	6,707,440	-	24,368,764	96,250,170
	<b>904,452,130</b>	<b>19,070,457</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>923,522,587</b>	<b>71,384,978</b>	<b>-</b>	<b>-</b>	<b>26,025,394</b>	<b>-</b>	<b>97,410,372</b>	<b>1,020,932,959</b>
<b>Agricultural/Biological assets</b>														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Intangible assets</b>														
Computers - software & programming	-	1,555,054	1,135,869	-	-	-	2,690,923	-	1,135,869	-	-	-	1,135,869	3,826,792
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>-</b>	<b>1,555,054</b>	<b>1,135,869</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,690,923</b>	<b>-</b>	<b>1,135,869</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,135,869</b>	<b>3,826,792</b>
<b>Investment properties</b>														
Investment property	-	-	397,972,720	-	-	-	397,972,720	-	397,972,720	-	-	-	397,972,720	795,945,440
	<b>-</b>	<b>-</b>	<b>397,972,720</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>397,972,720</b>	<b>-</b>	<b>397,972,720</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>397,972,720</b>	<b>795,945,440</b>
<b>Total</b>														
Land and buildings	454,698,949	-	-	-	-	-	454,698,949	161,615	-	-	107,744	-	269,359	454,968,308
Infrastructure	365,904,871	18,606,418	-	-	-	-	384,511,289	52,090,041	-	-	18,689,299	-	70,779,340	455,290,629
Community Assets	11,108,267	199,382	-	-	-	-	11,307,649	1,367,803	-	-	499,957	-	1,867,760	13,175,409
Heritage assets	913,750	-	-	-	-	-	913,750	-	-	-	-	-	-	913,750
Specialised vehicles	209,544	-	-	-	-	-	209,544	104,195	-	-	20,954	-	125,149	334,693
Other assets	71,616,749	264,657	-	-	-	-	71,881,406	17,661,324	-	-	6,707,440	-	24,368,764	96,250,170
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	1,555,054	1,135,869	-	-	-	2,690,923	-	1,135,869	-	-	-	1,135,869	3,826,792
Investment properties	-	-	397,972,720	-	-	-	397,972,720	-	397,972,720	-	-	-	397,972,720	795,945,440
	<b>904,452,130</b>	<b>20,625,511</b>	<b>399,108,589</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,324,186,230</b>	<b>71,384,978</b>	<b>399,108,589</b>	<b>-</b>	<b>26,025,394</b>	<b>-</b>	<b>496,518,961</b>	<b>1,820,705,191</b>



## Appendix B

### Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Land and buildings

Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Infrastructure

Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Community Assets

Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Heritage assets

Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Specialised vehicles

Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Other assets

General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2011

#### Cost/Revaluation                      Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Agricultural/Biological assets</b>														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Intangible assets</b>														
Computers - software & programming	-	1,555,054	1,446,880	-	-	-	3,001,934	-	1,446,880	-	-	-	1,446,880	4,448,814
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	1,555,054	1,446,880	-	-	-	3,001,934	-	1,446,880	-	-	-	1,446,880	4,448,814
<b>Investment properties</b>														
Investment property	-	-	397,972,720	-	-	-	397,972,720	-	397,972,720	-	-	-	397,972,720	795,945,440
	-	-	397,972,720	-	-	-	397,972,720	-	397,972,720	-	-	-	397,972,720	795,945,440
<b>Total</b>														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	1,555,054	1,446,880	-	-	-	3,001,934	-	1,446,880	-	-	-	1,446,880	4,448,814
Investment properties	-	-	397,972,720	-	-	-	397,972,720	-	397,972,720	-	-	-	397,972,720	795,945,440
	-	1,555,054	399,419,600	-	-	-	400,974,654	-	399,419,600	-	-	-	399,419,600	800,394,254

## Appendix C

### Segmental analysis of property, plant and equipment as at 30 June 2012

#### Cost/Revaluation      Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
<b>Municipality</b>														
Executive & Council/Mayor and Council	472,425	30,968	-	-	-	-	503,393	(4,128)	-	-	-	-	(4,128)	499,265
Finance & Admin/Finance	575,003,992	55,616	-	-	-	-	575,059,608	(40,653,971)	-	-	(2,187,045)	-	(42,841,016)	532,218,592
Planning and Development	5,116,167	29,200	-	-	-	-	5,145,367	(782,603)	-	-	-	-	(782,603)	4,362,764
Health	179,324	-	-	-	-	-	179,324	(38,592)	-	-	-	-	(38,592)	140,732
Community Service	7,543,332	-	-	-	-	-	7,543,332	(3,190,772)	-	-	(1,436,771)	-	(4,627,543)	2,915,789
Housing	82,718,499	-	-	-	-	-	82,718,499	-	(86,928)	-	-	-	(86,928)	82,631,571
Public Safety	6,581,777	148,873	-	-	-	-	6,730,650	(2,401,031)	-	-	(5,925,109)	-	(8,326,140)	(1,595,490)
Sport and Recreation	7,650,203	199,382	-	-	-	-	7,849,585	(1,102,367)	-	-	(376,828)	-	(1,479,195)	6,370,390
Waste Water Management	680,582	-	-	-	-	-	680,582	(307,222)	-	-	(146,518)	-	(453,740)	226,842
Waste Water Management	6,972,861	-	-	-	-	-	6,972,861	(2,135,509)	-	-	-	-	(2,135,509)	4,837,352
Road Transport/Roads	205,005,338	18,606,417	-	-	-	-	223,611,755	(19,959,909)	-	-	(6,560,688)	-	(26,520,597)	197,091,158
Water	6,534,119	-	-	-	-	-	6,534,119	(721,946)	-	-	(9,549,469)	-	(10,271,415)	(3,737,296)
	<b>904,458,619</b>	<b>19,070,456</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>923,529,075</b>	<b>(71,298,050)</b>	<b>(86,928)</b>	<b>-</b>	<b>(26,182,428)</b>	<b>-</b>	<b>(97,567,406)</b>	<b>825,961,669</b>
<b>Total</b>														
	<b>904,458,619</b>	<b>19,070,456</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>923,529,075</b>	<b>(71,298,050)</b>	<b>(86,928)</b>	<b>-</b>	<b>(26,182,428)</b>	<b>-</b>	<b>(97,567,406)</b>	<b>825,961,669</b>

## Appendix E(1)

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Current year 2010 Act. Bal. Rand	Current year 2010 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	-	-	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	97,628,210	-	97,628,210	-	
Service charges	91,651,726	-	91,651,726	-	
Levies	-	-	-	-	
Property rates - penalties imposed and collection charges	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	3,423,214	-	3,423,214	-	
Interest received (trading)	29,718,851	-	29,718,851	-	
Dividends received	-	-	-	-	
Income from agency services	-	-	-	-	
Public contributions and donations	-	-	-	-	
Fines	2,419,237	-	2,419,237	-	
Licences and permits	5,102,711	-	5,102,711	-	
Government grants & subsidies	150,446,223	-	150,446,223	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
Revenue 1	-	-	-	-	
Revenue 2	-	-	-	-	
Miscellaneous other revenue	73,548	-	73,548	-	
Administration and management fees received	-	-	-	-	
Fees earned	1,117,684	-	1,117,684	-	
Commissions received	300,030	-	300,030	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	258,741	-	258,741	-	
Other income 1	55,439	-	55,439	-	
Other income 2	-	-	-	-	
Other income 3	-	-	-	-	
Other income	-	-	-	-	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Building Plans	302,720	-	302,720	-	
Government grants	149,574	-	149,574	-	
Interest received - investment	2,460,053	-	2,460,053	-	

## Appendix E(1)

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Current year 2010 Act. Bal.	Current year 2010 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Interest received - other	-	-	-	-
Dividends received	-	-	-	-
	385,107,961	-	385,107,961	-
Expenses				
Personnel	(165,179,558)	-	(165,179,558)	-
Manufacturing -	-	-	-	-
Employee costs				
Remuneration of	(16,792,205)	-	(16,792,205)	-
councillors				
Administration	-	-	-	-
Transfer payments	-	-	-	-
Depreciation	(26,182,428)	-	(26,182,428)	-
Impairment	-	-	-	-
Amortisation	-	-	-	-
Impairments	(49,520,769)	-	(49,520,769)	-
Reversal of impairments	-	-	-	-
Finance costs	(3,893,727)	-	(3,893,727)	-
Debt impairment	39,844,445	-	39,844,445	-
Collection costs	(1,122,276)	-	(1,122,276)	-
Repairs and maintenance	-	-	-	-
- Manufacturing expenses				
Repairs and maintenance	(24,944,023)	-	(24,944,023)	-
- General				
Repairs and maintenance	-	-	-	-
- General				
Bulk purchases	(51,175,554)	-	(51,175,554)	-
Contracted Services	(6,657,126)	-	(6,657,126)	-
Grants and subsidies paid	-	-	-	-
Cost of housing sold	-	-	-	-
General Expenses	(66,622,890)	-	(66,622,890)	-
Other (taken out of	-	-	-	-
General expenses)				
Other (taken out of	-	-	-	-
General expenses)				
Other (taken out of	-	-	-	-
General expenses)				
Other (taken out of	-	-	-	-
General expenses)				
Other (taken out of	-	-	-	-
General expenses)				
	(372,246,111)	-	(372,246,111)	-
Other revenue and costs	-	-	-	-
Net surplus/ (deficit) for the year	12,861,850	-	12,861,850	-

## Appendix E(2)

## Budget Analysis of Capital Expenditure as at 30 June 2012

Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
Rand	Rand	Rand	%	
30,968	750,000	719,032	96	
55,616	250,000	194,384	78	
29,200	700,000	670,800	96	
-	50,000	50,000	100	
-	4,100,000	4,100,000	100	
-	50,000	50,000	100	
148,873	2,250,000	2,101,127	93	
199,382	4,390,000	4,190,618	95	
-	7,267,000	7,267,000	100	
8,606,417	8,220,000	9,613,583	51	
-	3,490,000	3,490,000	100	
-	3,100,000	3,100,000	100	
<b>9,070,456</b>	<b>4,617,000</b>	<b>5,546,544</b>	<b>70</b>	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
<b>491,083</b>	<b>-</b>	<b>(491,083)</b>	<b>-</b>	

### Other charges

**Appendix F**  
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar		Yes/ No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.



**Appendix F**  
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar		Yes/ No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
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Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

**Appendix F**  
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar		Yes/ No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.